

CITY OF HARTFORD

FINANCIAL REPORT

June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF HARTFORD	County VAN BUREN
Fiscal Year End JUNE 30, 2006	Opinion Date AUGUST 1, 2006	Date Audit Report Submitted to State September 18, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE
Q

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.		Telephone Number 269 983-0534	
Street Address 830 PLEASANT STREET, P.O. BOX 44		City ST. JOSEPH	State MI
		Zip 49085	
Authorizing CPA Signature <i>Robert L. Gerbel</i> CPA	Printed Name Robert L. Gerbel	License Number 3953	

CITY OF HARTFORD

FINANCIAL REPORT

June 30, 2006

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City of Hartford
List of Elected and Appointed Officials
June 30, 2006

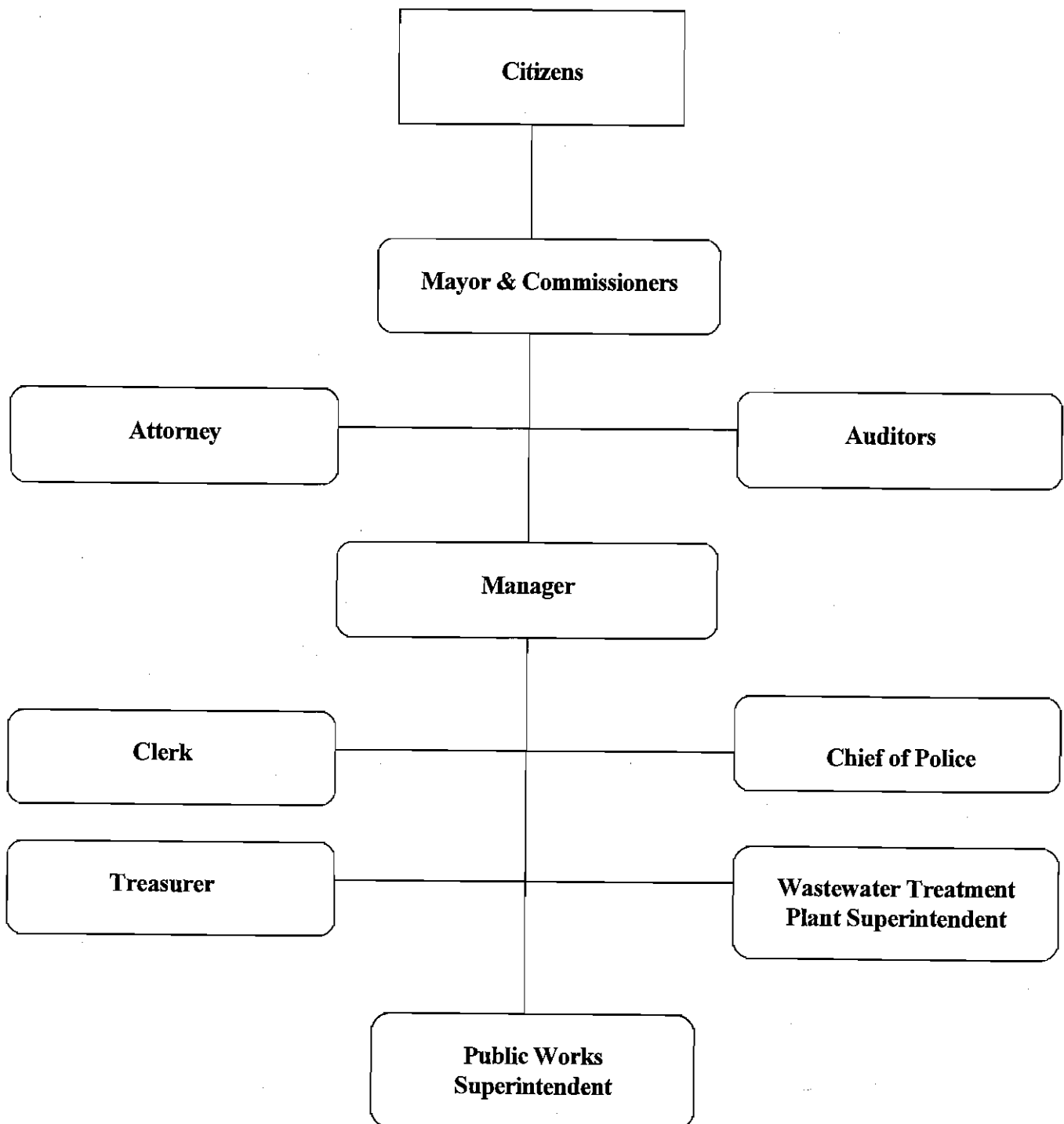
Elected Officials

Mayor	Theodore Johnson
Mayor Pro-Tem	Bill McLaughlin
City Commissioner	Debra Keyser
City Commissioner	Ron Burleson
City Commissioner	Leo Latus
City Commissioner	Rick Hall
City Commissioner	Mark Scholten

Appointed Officials

City Manager	Yemi Akinwale
City Clerk	Roxann Isbrecht
City Treasurer	Linda Gray
Chief of Police	Ramon Beltran
Public Works Superintendent	Dan Staunton
Wastewater Treatment Plant Superintendent	T.C. Melville

CITY OF HARTFORD ORGANIZATIONAL CHART



Management's Discussion and Analysis

As management of the City of Hartford, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. To make this report more readable and easier to understand we will discuss only what Management considers the financial highlights and the items with the most impact on this fiscal year's financial statements.

Financial Highlights

Municipal Parking Lot Project

This project was undertaken to attract a new commercial development into downtown Hartford. The die-cast building located at 118 West Main Street had been vacant for over ten (10) years when the opportunity came to attract a new business into the building.

The biggest weakness of this building was a lack of parking facilities to support the building. In order to make this building functional and attractive to Dollar General, the City acquired the vacant lot next to the building and developed it into a parking lot to accommodate Dollar General, Movie Gallery, Gustafson Accounting and the Hartford Public Library.

Cost of Project:

Property Acquisition	\$ 35,000
Engineering	2,500
Parking Lot Construction	71,431
Total Cost	\$ 108,931

Financing of Project:

Grant from State	\$ 90,000
City Matching Funds	18,931

Computer Radio Read Meter Reading System

The Computer Radio Read Meter System was acquired by the City to improve the overall efficiency of the city's utility billing system. The manual reading of meters would take a three-man crew about three weeks to complete for a quarterly billing cycle. The city purchased water meters, a notebook computer, and the necessary software for the system. The Radio reading now takes a one-man about four hours. This also allows the City to bill monthly instead of quarterly to improve the cash flow for the water department, and results in a saving in labor cost.

Cost of Project:

Cost:	\$ 160,000
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Financing of Project:

City Funds from Water and Sewer Fund	\$ 160,000
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Water Improvement Project

The water improvement project is the result of the Water Reliability Study conducted by our engineers, Wightman & Associates, to assess the condition of the City's water system. This project was proposed for the identified problem areas within the City's water system. The first phase of The Water Improvement Project consists of the following: Paras Hill Drive, North Haver Street and East Street.

Cost of Project:

Total Cost - Phase One	\$ 404,241
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Financing of Project:

Michigan Economic Development Corporation Grant	\$ 170,000
Van Buren County Economic Revolving Loan	200,000
City of Hartford Water and Sewer Funds	34,241

East Main Street Reconstruction:

This project is the reconstruction of East Main Street from Center Street to Olds Avenue. This project also includes a dedicated right turn lane at the stoplight.

Cost of Project:

Total cost	\$ 566,900
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Financing of Project:

Michigan Department of Transportation Grant	\$ 341,600
Congested Mitigation Air Quality Grant	93,500
City's Street Funds	131,800

Capital Assets Purchases:

The City needed to improve its vehicle fleet. Our vehicles are older and a large part of the Department of Public Works budget is for maintaining these older vehicles. The City also replaces each Police vehicle every three years, and had planed on paying cash for a new police vehicle. The City also has a continuing need to update our equipment to maintain the level of services our city residents have come to expect. The City purchased a truck with a snow plow, a work truck for the Public Works Superintendent and a Police Squad Car. In addition, the city also purchased a locator for the Department of Public Works to help locate water and sewer lines and an overhead projector and screen for the City Council room.

Cost of Project:

Total cost	\$ 130,000
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Financing of Project:

Rural Development Grant	\$ 27,000
Rural Development Loan	103,000

The total cost for all of the above projects are:

Municipal Parking Lot	\$ 108,931
Computer Radio Read Meter Reading System	160,000
Water Improvement Project	404,241
East Main Street Reconstruction	566,900
Capital Asset Purchases	130,000
TOTAL COST	\$ 1,370,072

The total financing of the above projects is:

Grants	52.7%	\$ 722,100
Loans	22.1%	303,000
City's Funds	25.2%	344,972

2006-2007 Fiscal Year Capital Projects. For the next fiscal year the City is planning more capital projects. A mandatory inspection of the City's Water tower revealed that it is time for a major overhaul of the tower. The last time maintenance was done on the tower was 1988. The cost for the required maintenance to the tower is \$ 311,000 with funding as follows:

Michigan Economic Development Corporation Grant	\$ 261,000
City's Water Funds	50,000

The traffic light has needed expensive repair and replacement parts. The City will replace the traffic light at a cost of \$ 120,000 which will be 100% funded by a Michigan Department of Transportation grant.

Phase 2 of the Water improvement project will be done on Edwin and Spaulding streets. The cost of this project will be \$ 369,000 and will be funded by a \$ 190,000 grant from Michigan Economic Development Corporation, a \$ 100,000 loan, and the City's Street, Water and Sewer funds of \$ 79,000.

Financial Highlights - Business-Type Activities

In the fiscal years ending in 2003 and 2004, the water and sewer funds were showing a continued loss in fund balance each year. The funds did recover enough in 2005 to cover the losses in 2003 and 2004, but only because of grants for capital projects. Without the Capital grants, the Water and Sewer Funds would have shown a deficit for the past three years. Also the Water Reliability Study done by our engineers showed these deficits were coupled with aging water and sewer lines in need of repair.

Because of this, the City Commission voted to increase the water and sewer rates for usage. The water rate per 1000 gallons was increased from \$ 1.95 to \$ 2.20 or an increase of approximately 13%, the sewage rate per 1000 gallons was increased from \$ 3.80 to \$ 4.40 or approximately 16%.

A \$ 3.00 per month (\$ 9.00 per quarter) charge was approved by the Commission to pay for the Water Improvement loan.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Hartford's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The major governmental activities of the City include general government, public safety, highways and streets, and public works. The business-type activities of the City include water distribution and sewer operations.

The government-wide financial statements include not only the City itself, (known as the primary government) but also a Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government. The Hartford Downtown Development Authority, although also legally separate, has been included as a discretely presented component unit.

The government-wide financial statements can be found on pages 2 and 3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Hartford maintains ten individual governmental funds. Of these ten funds, five are *special revenue funds* and four are *capital project funds*. *Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. *Capital project funds* are used to account for the acquisition or construction of major capital facilities or infrastructure by a governmental unit. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Water Improvement Project, Major Street Fund, and East Main Reconstruction Fund, which are considered major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Hartford adopts an annual appropriated budget for its general fund. A *budgetary comparison statement* has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 thru 8 of this report.

Proprietary funds. The City of Hartford maintains only one type of proprietary fund, *enterprise funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide for separate information for the water and sewer funds, both of which are considered to be major funds by the City.

The basic proprietary fund financial statements can be found on pages 9 thru 13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of these funds are *not* available to support the City's own programs. The City of Hartford collects taxes on behalf of other governments, and accounts for these tax collections in a fiduciary fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 thru 28 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented on page 30 and 31. Combining and individual fund statements and schedules can be found on pages 32 thru 44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hartford, assets exceeded liabilities by \$ 4,699,114 at the close of the most recent fiscal year.

City Of Hartford Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other Assets	\$ 1,101,206	\$ 1,177,989	\$ 674,761	\$ 691,324	\$ 1,775,967	\$ 1,869,313
Capital Assets	2,012,583	1,483,105	3,156,044	2,701,697	5,168,627	4,184,802
Total Assets	\$ 3,113,789	\$ 2,661,094	\$ 3,830,805	\$ 3,393,021	\$ 6,944,594	\$ 6,054,115
Long-term Liabilities outstanding	\$ 1,074,386	\$ 1,153,149	\$ 959,747	\$ 779,103	\$ 2,034,133	\$ 1,932,252
Other liabilities	191,960	108,040	19,387	60,134	211,347	168,174
Total Liabilities	\$ 1,266,346	\$ 1,261,189	\$ 979,134	\$ 839,237	\$ 2,245,480	\$ 2,100,426
Net Assets:						
Invested in Capital assets, net of related debt	\$ 938,197	\$ 299,041	\$ 2,196,297	\$ 1,875,088	\$ 3,134,494	\$ 2,174,129
Restricted Assets	-	-	-	167,340	-	167,340
Unrestricted Assets	909,246	1,100,864	655,374	511,356	1,564,620	1,612,220
Total Net Assets	\$ 1,847,443	\$ 1,399,905	\$ 2,851,671	\$ 2,553,784	\$ 4,699,114	\$ 3,953,689

Referencing the above chart, by far the largest portion of the City's net assets (66.7 percent or \$ 3,134,494) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

None of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (33.2 percent or \$ 1,564,620) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$ 745,425 in total net assets for the 2005-2006 fiscal year. The capital assets, net of related debt, increased by \$ 960,365 and restricted assets decreased by \$167,340 for the year. Unrestricted assets decreased by \$ 47,600 this fiscal year. Unrestricted assets include cash and cash equivalents, investments, and receivables.

City of Hartford's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenue:						
Program Revenue						
Charges for Service	\$ 356,842	\$ 892	\$ 598,875	\$ 516,399	\$ 955,717	\$ 517,291
Operating Grants & Contrib.	215,670	49,181	-	-	215,670	49,181
Capital Grants & Contributions	480,516	88,756	-	29,305	480,516	118,061
General Revenue						
Taxes	364,860	356,251	48,604	47,102	413,464	403,353
Equipment Rental	-	107,509	-	-	-	107,509
Administration fee	-	60,000	-	-	-	60,000
State shared revenue	329,987	509,846	-	-	329,987	509,846
Rental Income	-	50,000	-	5,566	-	55,566
Interest	30,145	22,098	13,381	12,656	43,526	34,754
Other	30,062	57,970	28,229	8,345	58,291	66,315
Transfers	(262,454)	-	262,454	-	-	-
Total Revenue	\$ 1,545,628	\$ 1,302,503	\$ 951,543	\$ 619,373	\$ 2,497,171	\$ 1,921,876
Expense:						
General Government	\$ 343,773	\$ 335,837	\$ -	-	\$ 343,773	\$ 335,837
Highways and Streets	-	125,274	-	-	-	125,274
Public Works	287,828	180,893	-	-	287,828	180,893
Public Safety	431,162	412,831	-	-	431,162	412,831
Interest on Long-Term Debt	48,283	48,711	-	-	48,283	48,711
Other Governmental Activities	4,798	17,957	-	-	4,798	17,957
Sewer	-	-	340,171	316,669	340,171	316,669
Water	-	-	313,485	272,040	313,485	272,040
Total Expense:	\$ 1,115,844	\$ 1,121,503	\$ 653,656	\$ 588,709	\$ 1,769,500	\$ 1,710,212
Change in Net Assets	\$ 429,784	\$ 181,000	\$ 297,887	\$ 30,664	\$ 727,671	\$ 211,664
Net Assets, Beginning of year	1,399,905	1,218,905	2,553,784	2,523,120	3,953,689	3,742,025
Prior Period Adjustment - Note 11	17,754	-	-	-	17,754	-
Net Assets, End of year	\$ 1,847,443	\$ 1,399,905	\$ 2,851,671	\$ 2,553,784	\$ 4,699,114	\$ 3,953,689

Governmental activities. Governmental activities increased the net assets by \$ 447,538. Note on the above chart that key elements of this increase are as follows:

- Total revenue in governmental activities increased by \$ 243,125 in comparison with the prior fiscal year and total expense in governmental activities decreased by \$ 5,659 from last fiscal year, resulting in a net increase in net assets of \$ 248,784 in comparison with last fiscal year.
- There was a prior period adjustment done in the Water Improvement Project fund for \$ 17,754 that affected the beginning and ending net assets; please see NOTE 11 on page 28 for a more detailed explanation.

Business-type activities. Business-type (for water and sewer service) activities increased the City of Hartford's net assets by \$ 297,887. Note on the above chart that key elements of this increase are as follows:

- Total revenue in business-type revenue increased by \$ 332,170 in comparison with the prior fiscal year; total charges for service increased by \$ 82,476. This was generated in part from increases in the water and sewer rates.
- Total expenses increased by \$ 64,947 from last fiscal year; a large part of this expense was labor because of repairs and maintenance of existing assets, and installation of new water meters.
- There was a large (\$ 262,454) transfer from the General Fund to the Water and Sewer funds for capital improvements.

Financial Analysis of the Government's Funds

As noted earlier, the City of Hartford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Hartford's governmental funds reported combined ending fund balances of \$921,041, a decrease of 20% (\$ 225,251) in comparison with the prior year. This entire amount was unreserved fund balance in the General Fund, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Hartford. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 598,167. As a measure of the general fund's liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 68.4% of total general fund expenditures, and 65.7% of total general fund expenditures plus transfers to other funds.

The balance of the City's general fund increased by \$ 96,126 during the current fiscal year. Key factors in this increase are as follows:

- Total revenue increased by \$ 42,272 in comparison with last fiscal year. Total expenditures decreased by \$ 58,038 in comparison with last fiscal year. The largest decrease was in the expenditures for Public Works, and the largest increase was in Public Safety, and Recreation and Culture.

Since the general fund is the chief operating fund, it has the largest amount of expenditures of any governmental fund. Please note on page 6 of the financial report, that the total expenditures for the general fund is \$ 873,934 or 51.5 % of all governmental funds. The expenditures are divided into several categories.

The general government category includes all general services of the city such as the clerk's, treasurer's and assessing offices; and the administration of the city including the city manager's office. The legislative category includes the city commission and the mayor's expenditures. Public works category is the general maintenance of city property and the public safety category includes expenditures for the city's police department, zoning and ordinance enforcement with the largest portion being the city's police department.

Recreation and culture, and public safety had an increase in expenditures in comparison to last fiscal year. Public safety increased by \$11,673, and is the largest expenditure (46.4 %) in the general fund. All other categories of expenditures decreased in comparison to last fiscal year.

General government expenditures decreased, in comparison to last year, by 6.2% (\$58,038). This decrease was spread among many different departments.

Proprietary funds. The City of Hartford's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail, this information may be found on pages 9 to page 13 in this report.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$655,374. The total increase in net assets for both funds was \$286,543 and \$11,344, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget in the General Fund were relatively minor. The actual revenue received was \$37,570 more than the final budget, and \$61,193 less in appropriations was spent, including debt service and transfers, and can be briefly summarized as follows:

- In the General Fund, the Cops Grant was budgeted at \$44,000 and we only received \$7,309, but the other revenue included funds paid to the City from the Hartford Schools for police services for the year. The other revenue received was \$ 36,737 more than budgeted.
- In the General Fund, we received \$12,500 in insurance refunds which we had not budgeted. All other revenue increased slightly from the budgeted amounts.
- General Fund expenditures were lower than expected, and resulted in \$61,193 less expenditure than budget. The largest savings was in the Public Works.
- The only major underbudgeted expenditure was in the traffic services department of the Major Street Fund. This department expenditure for electric for street lights was over the budgeted amount by \$17,385; we had amended the budget for a transfer of funds from the General Fund to cover this expense, but did not amend the budget for the increase in the expenditure.

On page 32 to 33 of this report, the original budget, the final budget, and actual amounts for the General Fund and Major Street Fund are given and compared.

Capital Asset and Debt Administration

City of Hartford Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 921,000	\$ 939,000	\$ 260,000	\$ 280,000	\$ 1,181,000	\$ 1,219,000
Revenue Bonds	-	-	518,000	540,000	518,000	540,000
Annexation	11,108	12,496	-	-	11,108	12,496
Installment Loans	108,663	232,570	181,747	-	290,410	232,570
Compensated Absences	33,631	33,631	1,103	1,103	34,734	34,734
Total	\$ 1,074,402	\$ 1,217,697	\$ 960,850	\$ 821,103	\$ 2,035,252	\$ 2,038,800

Long-term debt. At the end of the current fiscal year, the City of Hartford had total bonded debt outstanding of \$1,181,000. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), installment loans, and annexation debt. The City's total long-term debt decreased by \$3,548 during the current fiscal year. Please note that one installment loan to Van Buren County for water improvement was moved from the governmental activities to business-type activities during the year. This did not affect the overall long-term debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Hartford is \$3,777,350, which is significantly in excess of the City's outstanding general obligation debt.

Long-term debt and capital assets are not recorded as part of the *Governmental Funds* balance sheet as presented on page 4 of this report, but are included in the *Statement of Net Assets* found on page 2 of this report. On page 5 of this report the reconciliation of the balance sheet of *Governmental Funds* to the *Statement of Net Assets* is found. This reconciliation shows the effect of capital assets and long-term debt or liabilities on the balance sheets of the *Governmental Funds*.

Additional information on the City's long-term debt can be found in note 5 on pages 23 to 26 of this report.

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$5,168,627 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, office equipment, vehicles, machinery and equipment, utility systems, and other non-depreciable capital assets. The total increase in the City's investment in capital assets for the current fiscal year was \$990,434 or 44.2 %.

**City of Hartford's Capital Assets
(Net of depreciation) and (Net of Related Debt)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 118,868	\$ 118,868	\$ 149,333	\$ 149,333	\$ 268,201	\$ 268,201
Construction in process	462,999	-	-	-	462,999	-
Land Improvements	233,915	251,909	-	-	233,915	251,909
Buildings & Improvements	802,593	820,095	982,650	1,026,415	1,785,243	1,846,510
Office Equipment	34,984	40,412	-	-	34,984	40,412
Vehicles	45,479	25,421	-	-	45,479	25,421
Machinery & Equipment	232,725	159,799	217,141	176,659	449,866	336,458
Infrastructure	81,020	66,601	-	1,342,681	81,020	1,409,282
Utility Systems	-	-	1,806,920	-	1,806,920	-
Total	\$ 2,012,583	\$ 1,483,105	\$ 3,156,044	\$ 2,695,088	\$ 5,168,627	\$ 4,178,193
Related Debt	(1,029,663)	(1,184,066)	(959,747)	(820,000)	(1,989,410)	(2,004,066)
Net of Related Debt	\$ 982,920	\$ 299,039	\$ 2,196,297	\$ 1,875,088	\$ 3,179,217	\$ 2,174,127

Major capital asset events during the current fiscal year have been previously discussed under the financial highlights section of this report.

As you can see on the above chart, capital assets for the governmental activities increased by \$529,478 in comparison with last fiscal year, while the long-term debt decreased by \$ 154,403 leaving a net increase in capital assets after related debt of \$683,881. This increase in capital assets for governmental activities was mainly due, as noted in the financial highlights section, by grants for capital assets from both federal and state sources.

The business activities' capital assets increased \$460,956, and related debt increased by \$139,747 leaving a net gain in business activities' capital assets of \$321,209.

The total of both governmental and business activities increased our net assets (net of depreciation and related debt) by \$1,005,090.

Additional information on the City's capital assets can be found in note 4 - Capital Assets on page 22 and 23 of this report.

Economic Factors and Next Year's Budgets and Rates

The economy in the State of Michigan has been poor for the 2005-2006 fiscal years. Michigan has a high unemployment rate as compared to the rest of the states. This poor economic climate for the state of Michigan has caused some cuts in state-shared revenue for the City and other local units of government. The continued increase in prices for gas is also a major concern for the City.

Health care costs also continue to rise resulting in higher fringe benefits for employers. The City's health care cost for employees has risen and is expected to rise in the next fiscal year. The labor intensive departments, such as the City's police department, will be most affected by the higher health care costs.

All of these factors were considered in preparing the City's budget for the 2006-2007 fiscal year, along with the expected capital projects and purchases the City has planned.

During the current fiscal year, unreserved fund balance in the General Fund increased by \$ 96,126; the fund balance at the end of the 2005-2006 fiscal year is \$ 598,167. The City has appropriated \$ 37,595 of this amount for spending in the 2006-2007 fiscal year budget for the General Fund. In all other funds, the City's budget included an increase in fund balance of \$ 21,412 for next fiscal year.

The City's management is always looking for ways to cut expenditures, such as employee health care cost, or reducing the amount of gas used, and controlling unplanned purchases. But cost control is only one side of the budget. For the City to be financially sound, it must continue to look for ways to insure a steady, reliable source of revenue.

Information on the variance between budget and actual amounts of revenue and expenditures for this fiscal year for the General Fund can be found on pages 34 to 40 in this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Hartford's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Hartford, 19 West Main Street, Hartford, Michigan, 49057.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 1, 2006

INDEPENDENT AUDITOR'S REPORT

City Commission
City of Hartford
Hartford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hartford, State of Michigan's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages III through XIII, and 32 through 33 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, State of Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

CITY OF HARTFORD
Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash	\$ 344,624	\$ 116,239	\$ 460,863	\$ 8,269
Investments	623,972	231,735	855,707	-
Receivables	-	128,654	128,654	-
Due from other governments	132,610	-	132,610	-
Inventory	-	300	300	-
Restricted assets:				
Cash and cash equivalents	-	95,893	95,893	-
Investments	-	95,331	95,331	-
Capital assets (net of related depreciation):				
Non-depreciable assets:				
Land	118,868	149,333	268,201	-
Construction in process	462,999	-	462,999	-
Depreciable assets:				
Buildings and improvements	802,593	982,650	1,785,243	-
Infrastructure	81,020	-	81,020	-
Land improvements	233,915	-	233,915	-
Machinery and equipment	232,725	217,141	449,866	-
Vehicles	45,479	-	45,479	-
Office equipment	34,984	-	34,984	-
Utility systems	-	1,806,920	1,806,920	-
Other assets:				
Sewer bond cost, net of accumulated amortization	-	6,609	6,609	-
TOTAL ASSETS	\$ 3,113,789	\$ 3,830,805	\$ 6,944,594	\$ 8,269

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current liabilities:				
Accounts payable	\$ 169,465	\$ -	\$ 169,465	\$ 1,747
Payroll liabilities	10,700	586	11,286	-
Accrued interest	11,795	15,426	27,221	-
Customer deposits	-	150	150	-
Unamortized bond	-	2,122	2,122	-
Accumulated sick pay	-	1,103	1,103	-
Noncurrent liabilities:				
Due within one year	39,035	60,621	99,656	-
Due in more than one year	<u>1,035,351</u>	<u>899,126</u>	<u>1,934,477</u>	<u>-</u>
 Total Liabilities	 <u>\$ 1,266,346</u>	 <u>\$ 979,134</u>	 <u>\$ 2,245,480</u>	 <u>\$ 1,747</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 938,197	\$ 2,196,297	\$ 3,134,494	\$ -
Restricted	-	-	-	-
Unrestricted	<u>909,246</u>	<u>655,374</u>	<u>1,564,620</u>	<u>6,522</u>
 Total Net Assets	 <u>\$ 1,847,443</u>	 <u>\$ 2,851,671</u>	 <u>\$ 4,699,114</u>	 <u>\$ 6,522</u>

CITY OF HARTFORD
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 343,773	\$ 65,017	\$ 2,288	\$ -
Public safety	431,162	104,902	7,309	-
Public works	287,828	186,923	206,073	480,516
Recreation and cultural	4,798	-	-	-
Interest on long-term debt	48,283	-	-	-
Total Governmental Activities	\$ 1,115,844	\$ 356,842	\$ 215,670	\$ 480,516
Business-Type Activities:				
Water fund	\$ 313,485	\$ 270,402	\$ -	\$ -
Sewer fund	340,171	328,473	-	-
Total Business-Type Activities	\$ 653,656	\$ 598,875	\$ -	\$ -
Total Primary Government	\$ 1,769,500	\$ 955,717	\$ 215,670	\$ 480,516
Component Unit:				
Downtown Development Authority	\$ 6,078	\$ -	\$ -	\$ -
Total Component Unit	\$ 6,078	\$ -	\$ -	\$ -

General Revenues:

Property taxes
State revenue sharing
Interest
Other revenue
Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment - NOTE 11

Adjusted Beginning Net Assets

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (276,468)	\$ -	\$ (276,468)	\$ -
(318,951)	-	(318,951)	-
585,684	-	585,684	-
(4,798)	-	(4,798)	-
(48,283)	-	(48,283)	-
<u>\$ (62,816)</u>	<u>\$ -</u>	<u>\$ (62,816)</u>	<u>\$ -</u>
\$ -	\$ (43,083)	\$ (43,083)	\$ -
-	(11,698)	(11,698)	-
<u>\$ -</u>	<u>\$ (54,781)</u>	<u>\$ (54,781)</u>	<u>\$ -</u>
<u>\$ (62,816)</u>	<u>\$ (54,781)</u>	<u>\$ (117,597)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (6,078)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,078)</u>
\$ 364,860	\$ 48,604	\$ 413,464	\$ 6,664
329,987	-	329,987	-
30,145	13,381	43,526	-
30,062	28,229	58,291	3,494
(262,454)	262,454	-	-
<u>\$ 492,600</u>	<u>\$ 352,668</u>	<u>\$ 845,268</u>	<u>\$ 10,158</u>
<u>\$ 429,784</u>	<u>\$ 297,887</u>	<u>\$ 727,671</u>	<u>\$ 4,080</u>
\$ 1,399,905	\$ 2,553,784	\$ 3,953,689	\$ 2,442
17,754	-	17,754	-
<u>\$ 1,417,659</u>	<u>\$ 2,553,784</u>	<u>\$ 3,971,443</u>	<u>\$ 2,442</u>
<u>\$ 1,847,443</u>	<u>\$ 2,851,671</u>	<u>\$ 4,699,114</u>	<u>\$ 6,522</u>

**CITY OF HARTFORD
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2006**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
Assets			
Current Assets:			
Cash	\$ (114,972)	\$ 158,174	\$ 78,948
Investments	623,972	-	-
Due from other governments	104,836	20,517	-
Due from other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	\$ 613,836	\$ 178,691	\$ 78,948
 TOTAL ASSETS	 \$ 613,836	 \$ 178,691	 \$ 78,948
 Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ 803	\$ 1,604	\$ 167,058
Payroll liabilities	10,699	-	-
Due to other funds	4,167	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	\$ 15,669	\$ 1,604	\$ 167,058
 Total Liabilities	 \$ 15,669	 \$ 1,604	 \$ 167,058
 Fund Balances:			
Unreserved, reported in			
General Fund	\$ 598,167	\$ -	\$ -
Special Revenue	-	177,087	-
Capital Projects	-	-	(88,110)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ 598,167	\$ 177,087	\$ (88,110)
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 613,836	 \$ 178,691	 \$ 78,948

<u>East Main Reconstruction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 222,473	\$ 344,623
-	-	623,972
-	7,257	132,610
-	4,167	4,167
<u>\$ -</u>	<u>\$ 233,897</u>	<u>\$ 1,105,372</u>
<u>\$ -</u>	<u>\$ 233,897</u>	<u>\$ 1,105,372</u>
 \$ -	 \$ -	 \$ 169,465
-	-	10,699
-	-	4,167
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,331</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,331</u>
 \$ -	 \$ -	 \$ 598,167
-	157,132	334,219
-	76,765	(11,345)
<u>\$ -</u>	<u>\$ 233,897</u>	<u>\$ 921,041</u>
<u>\$ -</u>	<u>\$ 233,897</u>	<u>\$ 1,105,372</u>

CITY OF HARTFORD
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended June 30, 2006

Fund balances of governmental funds	\$ 921,041
-------------------------------------	------------

Amounts reported for *governmental activities* in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.	2,012,584
--	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,074,387)
--	-------------

Accrued interest is not recorded as a liability in governmental funds. Interest expense is recognized in the year it is paid.	<u>(11,795)</u>
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Net assets of governmental activities	<u>\$ 1,847,443</u>
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**CITY OF HARTFORD
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
Revenues			
Taxes	\$ 349,730	\$ -	\$ -
Tax administration fee	12,855	-	-
Licenses and permits	13,842	-	-
Equipment rental	122,923	-	-
State revenue	332,787	139,717	-
Federal grant	7,309	-	170,000
Rent revenue	-	-	-
Charges for services	979	-	-
Fines and forfeits	2,041	-	-
Interest	28,524	-	3,895
Administrative	66,636	-	-
Miscellaneous	55,934	9,778	-
Insurance refunds	12,500	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 1,006,060	\$ 149,495	\$ 173,895
Expenditures			
Current:			
General government	\$ 305,221	\$ -	\$ -
Public safety	405,270	-	-
Public works	128,126	74,383	22
Recreation and culture	4,798	-	-
Debt service:			
Principal	28,334	10,000	-
Interest	2,185	8,290	-
Capital outlay:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 873,934	\$ 92,673	\$ 22
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 132,126	\$ 56,822	\$ 173,873

The accompanying notes are an integral part of these financial statements.

<u>East Main Reconstruction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 349,730
-	-	12,855
-	61,912	75,754
-	-	122,923
-	56,578	529,082
273,516	37,000	487,825
-	50,000	50,000
-	-	979
-	-	2,041
-	-	32,419
-	-	66,636
1,300	1,325	68,337
-	-	12,500
<u>\$ 274,816</u>	<u>\$ 206,815</u>	<u>\$ 1,811,081</u>
 \$ -	 \$ -	 \$ 305,221
-	10,977	416,247
-	58,897	261,428
-	-	4,798
-	8,000	46,334
-	37,785	48,260
-	4,484	4,484
-	22,366	22,366
<u>462,999</u>	<u>122,493</u>	<u>585,492</u>
<u>\$ 462,999</u>	<u>\$ 265,002</u>	<u>\$ 1,694,630</u>
 <u>\$ (188,183)</u>	 <u>\$ (58,187)</u>	 <u>\$ 116,451</u>

**CITY OF HARTFORD
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Continued
For the Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
Other Financing Sources (Uses):			
Proceeds from loans	\$ -	\$ -	\$ -
Operating transfers in	-	20,000	24,294
Operating transfers out	<u>(36,000)</u>	<u>(194,416)</u>	<u>(286,748)</u>
 Total Other Financing Sources (Uses)	 <u>\$ (36,000)</u>	 <u>\$ (174,416)</u>	 <u>\$ (262,454)</u>
 Net Change in Fund Balances	 <u>\$ 96,126</u>	 <u>\$ (117,594)</u>	 <u>\$ (88,581)</u>
 Fund Balance - July 1, 2005	 \$ 502,041	 \$ 294,681	 \$ 182,719
 Prior Period Adjustment	 <u>-</u>	 <u>-</u>	 <u>(182,248)</u>
 Adjusted Fund Balance - July 1, 2005	 <u>\$ 502,041</u>	 <u>\$ 294,681</u>	 <u>\$ 471</u>
 FUND BALANCE - JUNE 30, 2006	 <u>\$ 598,167</u>	 <u>\$ 177,087</u>	 <u>\$ (88,110)</u>

<u>East Main Reconstruction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 103,000	\$ 103,000
188,183	22,233	254,710
-	-	(517,164)
<u>\$ 188,183</u>	<u>\$ 125,233</u>	<u>\$ (159,454)</u>
\$ -	\$ 67,046	\$ (43,003)
\$ -	\$ 166,851	\$ 1,146,292
-	-	(182,248)
<u>\$ -</u>	<u>\$ 166,851</u>	<u>\$ 964,044</u>
<u>\$ -</u>	<u>\$ 233,897</u>	<u>\$ 921,041</u>

CITY OF HARTFORD
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (43,003)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives. This is the amount by which capital outlays exceeded depreciation in the current period. 532,492

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net assets. (3,000)

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds. 46,295

The issuance of debt is recorded as a financing source in the governmental funds, thereby increasing fund balance. In the statement of net assets it is recorded as a liability. (103,000)

Change in net assets of governmental activities \$ 429,784

**CITY OF HARTFORD
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 66,499	\$ 49,738	\$ 116,237
Accounts receivable	47,903	80,751	128,654
Investments	-	231,735	231,735
Sewer bond cost, net of \$2,028 accumulated amortization	-	6,609	6,609
Inventory	<u>300</u>	<u>-</u>	<u>300</u>
Total Current Assets	<u>\$ 114,702</u>	<u>\$ 368,833</u>	<u>\$ 483,535</u>
Restricted Assets			
Cash and cash equivalents	\$ 95,893	\$ -	\$ 95,893
Investments	<u>95,333</u>	<u>-</u>	<u>95,333</u>
Total Restricted Assets	<u>\$ 191,226</u>	<u>\$ -</u>	<u>\$ 191,226</u>
Property, Plant, and Equipment			
Land and improvements	\$ 8,620	\$ 140,713	\$ 149,333
Building and improvements	837,477	1,003,907	1,841,384
Equipment	186,626	929,308	1,115,934
Mains	<u>1,298,714</u>	<u>1,275,653</u>	<u>2,574,367</u>
Total Property, Plant, and Equipment	<u>\$ 2,331,437</u>	<u>\$ 3,349,581</u>	<u>\$ 5,681,018</u>
Less: Accumulated Depreciation	<u>719,495</u>	<u>1,805,479</u>	<u>2,524,974</u>
Net Property, Plant, and Equipment	<u>\$ 1,611,942</u>	<u>\$ 1,544,102</u>	<u>\$ 3,156,044</u>
TOTAL ASSETS	<u>\$ 1,917,870</u>	<u>\$ 1,912,935</u>	<u>\$ 3,830,805</u>

The accompanying notes are an integral part of these financial statements.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Liabilities and Net Assets			
Current Liabilities			
Accrued wages	\$ -	\$ 586	\$ 586
Accrued interest	11,275	4,151	15,426
Unamortized bond premium	2,122	-	2,122
Accumulated vacation and sick pay	-	1,103	1,103
Current portion of long-term debt	53,871	6,750	60,621
Customer deposits	-	150	150
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	\$ 67,268	\$ 12,740	\$ 80,008
Long-term liabilities (net of current portion)			
Long-term debt	<u>746,126</u>	<u>153,000</u>	<u>899,126</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 813,394	\$ 165,740	\$ 979,134
Net Assets			
Invested in capital assets, net of related debt	\$ 811,945	\$ 1,384,352	\$ 2,196,297
Unrestricted	<u>292,531</u>	<u>362,843</u>	<u>655,374</u>
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	\$ 1,104,476	\$ 1,747,195	\$ 2,851,671
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,917,870</u>	<u>\$ 1,912,935</u>	<u>\$ 3,830,805</u>

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended June 30, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 270,402	\$ 328,473	\$ 598,875
Penalties	6,350	7,817	14,167
Property taxes	48,604	-	48,604
Water tower rental	5,274	-	5,274
Miscellaneous revenue	1,070	1,265	2,335
Insurance refunds	-	6,453	6,453
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	\$ 331,700	\$ 344,008	\$ 675,708
Operating Expenses			
Salaries and wages	\$ 40,050	\$ 98,387	\$ 138,437
Payroll taxes	2,916	7,431	10,347
Fringe benefits	11,021	22,084	33,105
Supplies	15,028	13,918	28,946
Postage	1,063	1,052	2,115
Contractual services	5,951	23,501	29,452
Professional fees	1,000	2,000	3,000
Telephone	605	2,204	2,809
Utilities	11,080	15,676	26,756
Repairs and maintenance	19,827	24,000	43,827
Rental	63,786	31,253	95,039
Insurance and bonds	6,352	4,200	10,552
Capital outlay	1,193	-	1,193
Depreciation and amortization	46,949	68,291	115,240
Administrative fee	43,000	17,000	60,000
Miscellaneous	3,674	879	4,553
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	\$ 273,495	\$ 331,876	\$ 605,371
Operating Income (Loss)	\$ 58,205	\$ 12,132	\$ 70,337

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses and
Changes in Net Assets - Continued
For the Year Ended June 30, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Nonoperating Revenue (Expense)			
Interest income	\$ 3,366	\$ 10,015	\$ 13,381
Interest expense	<u>(39,990)</u>	<u>(8,295)</u>	<u>(48,285)</u>
Total Nonoperating Revenue (Expense)	\$ <u>(36,624)</u>	\$ <u>1,720</u>	\$ <u>(34,904)</u>
Income before transfers	<u>\$ 21,581</u>	<u>\$ 13,852</u>	<u>\$ 35,433</u>
Other Financing Sources (Uses):			
Operating transfers out	\$ (21,786)	\$ (2,508)	\$ (24,294)
Operating transfers in	<u>286,748</u>	<u>-</u>	<u>286,748</u>
Total Other Financing Sources (Uses)	\$ <u>264,962</u>	\$ <u>(2,508)</u>	\$ <u>262,454</u>
Change in Net Assets	\$ 286,543	\$ 11,344	\$ 297,887
Total Net Assets - July 1, 2005	<u>817,933</u>	<u>1,735,851</u>	<u>2,553,784</u>
TOTAL NET ASSETS - JUNE 30, 2006	<u><u>\$ 1,104,476</u></u>	<u><u>\$ 1,747,195</u></u>	<u><u>\$ 2,851,671</u></u>

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2006**

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 351,185	\$ 372,278	\$ 723,463
Payments to employees	(53,987)	(127,902)	(181,889)
Payments for interfund services	(106,786)	(48,253)	(155,039)
Payments to suppliers	(65,773)	(87,430)	(153,203)
Net cash provided by operating activities	<u>\$ 124,639</u>	<u>\$ 108,693</u>	<u>\$ 233,332</u>
Cash Flows From Noncapital Financing Activities:			
Transfer to other funds	<u>\$ (21,786)</u>	<u>\$ (2,508)</u>	<u>\$ (24,294)</u>
Net cash used by noncapital financing activities	<u>\$ (21,786)</u>	<u>\$ (2,508)</u>	<u>\$ (24,294)</u>
Cash Flows From Capital and Related Financing Activities:			
Principal paid	\$ (53,503)	\$ (6,750)	\$ (60,253)
Interest paid on debt	(39,990)	(8,295)	(48,285)
Purchase of fixed assets	(52,475)	(36,975)	(89,450)
Net cash provided (used) by capital and related financing activities	<u>\$ (145,968)</u>	<u>\$ (52,020)</u>	<u>\$ (197,988)</u>
Cash Flows From Investing Activities:			
Investment purchased	\$ (2,521)	\$ (6,035)	\$ (8,556)
Investment from interest income	<u>3,366</u>	<u>10,015</u>	<u>13,381</u>
Net cash provided (used) by investing activities	<u>\$ 845</u>	<u>\$ 3,980</u>	<u>\$ 4,825</u>
Net increase (decrease) in cash and cash equivalents	\$ (42,270)	\$ 58,145	\$ 15,875
Balance - July 1, 2005	<u>204,662</u>	<u>(8,407)</u>	<u>196,255</u>
BALANCE - JUNE 30, 2006	<u>\$ 162,392</u>	<u>\$ 49,738</u>	<u>\$ 212,130</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Cash Flows - Continued
For the Year Ended June 30, 2006**

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 58,205	\$ 12,132	\$ 70,337
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expenses	\$ 46,949	\$ 68,291	\$ 115,240
(Increase) decrease in receivables	19,485	28,120	47,605
Increase (decrease) in payables	-	150	150
Total adjustments	\$ 66,434	\$ 96,561	\$ 162,995
Net cash provided (used) by operating activities	\$ 124,639	\$ 108,693	\$ 233,332
Noncash investing, capital, and financing activities:			
Transfer of capital assets from water improvement fund	\$ 286,748	\$ -	\$ 286,748

**CITY OF HARTFORD
FIDUCIARY FUNDS
Statement of Net Assets
June 30, 2006**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 421
TOTAL ASSETS	\$ 421
Liabilities	
Accounts payable	\$ 346
Due to other governments	75
Due to other funds	<u>-</u>
TOTAL LIABILITIES	\$ 421

The accompanying notes are an integral part of these financial statements.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hartford operates under a council-manager form of government. Services provided for its citizens include: public safety, water and sewer services, streets, planning and zoning, and general administrative services.

The accounting methods and procedures adopted by the City of Hartford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below.

A. Scope of Reporting Entity

In evaluating how to define the City's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. All funds and account groups under direct control of the City of Hartford are included in this report.

The City has two component units, the Downtown Development Authority and the City of Hartford Building Authority. Based upon the above criteria the Downtown Development Authority has been included in the City's financial statements as a discretely presented component unit, and the City of Hartford Building Authority has been presented as a blended component unit and its data has been blended with data from other special revenue funds.

The Hartford Fire Board is operated as a joint venture with the Township of Hartford. The organizational agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the Hartford Fire Board are selected by the City Commission and the Hartford Township Board with other members selected by other appointees. After the operating budget has been prepared and approved by the City and the Township, each contributes its share to the budget. The City has a 50% equity claim to Fire Board property and equipment upon liquidation.

The City of Hartford and Hartford Township entered into installment purchase contracts with National City Bank for the purchase of a fire truck and equipment. The City and Township are each liable to National City for one-half of the obligation. The liability and debt payments are accounted for on the financial statements of the Hartford Fire Board.

The following financial information of the joint venture obtained from audited financial statements is as of June 30, 2005, the most recent financial statement available.

Total assets	\$ 280,060
Total liabilities	22,079
Net assets	257,981
Total revenue and other financing sources	144,209
Total expenditures	147,229
Decrease in net assets	(3,020)

The audited financial statements of the Hartford Fire Board for the year ended June 30, 2005, are available from the Fire Board.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expense of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

The City of Hartford reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street Fund** is used to account for major street repair and maintenance.

The **Water Improvement Fund** accounts for the replacement of water mains to improve the City's water pressure and quality.

The **East Main Construction Fund** accounts for reconstruction work along East Main Street from Center to Olds Avenue.

The City of Hartford reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to the City's water production, purification, distribution, and billing.

The **Sewer Fund** accounts for the activities related to the City's sanitary collections system and wastewater treatment.

Additionally, the City of Hartford reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgetary Data

At an April meeting the Manager submits to the City Commission a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the City Hall to obtain taxpayer comments. Prior to June 30, the budget is legally enacted on a summary budget basis through passage of a resolution.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Hartford as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bonds premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

G. Property Taxes

City property taxes are levied on July 1 and are payable without penalty through September 30. The City bills and collects its own property taxes and also taxes for the County and several other municipalities within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Property taxes become available and are thus recognized as revenue in the fiscal year they are levied.

H. Cash Flow Statement

For purposes of the Statement of Cash Flows, the Enterprise Funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay. Upon voluntary leaving or retirement an employee is entitled to payment of 60% of his/her accumulated and unused sick pay computed at the final hourly rate of pay. Employees are not permitted to carry over vacation days. Any unused vacation days upon termination of employment are paid 100% based on the final hourly rate. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Fund Balance Reserves

A fund balance reserve arises from statutory requirements or actions already taken by the City. The reserved portion of the fund balance identifies those amounts segregated for future purposes or not available to finance expenditures in the subsequent fiscal year.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City of Hartford in accordance with Michigan Public Act 20 of 1943 as amended, is authorized to invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City may also invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of the United States banks; commercial paper rated at the time of purchase within the two highest classifications and that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that at the time of purchase are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. The City evaluates financial institutions with which it deposits funds and assesses the level of risk; only those institutions with an acceptable risk level are used as depositories. At year end, the city had \$484,179 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent:

<u>Type of investment</u>	<u>Carrying Value</u>
U.S. government securities fund	\$ 274,077
Domestic corporate fixed income securities	676,961
Total Carrying Value	<u>\$ 951,038</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper which can only be purchased with not more than a 270 day maturity. The City's investment portfolio is designed to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Accordingly, the domestic corporate fixed income securities are taken out to mature according to the City's needs. Money can be drawn on the U.S. government securities fund at any time. The fair value at June 30, 2006 of the domestic corporate fixed income securities and U.S. government securities fund are \$676,523 and \$264,944 respectively

Concentration of Credit Risk

The City does not have a policy for concentration of credit risk. As of June 30, 2006, 29% of the City's investments is in a U.S. government securities fund. The remaining 71% is invested in domestic corporate fixed income securities.

NOTE 3 - EXPENDITURES OVER BUDGET

The annual budget is prepared by the City management and adopted by the City Commission. Subsequent amendments are approved by the City Commission.

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the City was adopted at the department level. During the year ended June 30, 2006, the City incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity Appropriation</u>		<u>Activity Expenditures</u>		<u>Negative Budget Activity</u>
Major Street Fund:					
Traffic services	\$ 10,000	\$	27,385	\$	17,385

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2006 were as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities				
Land	\$ 118,868	\$ -	\$ -	\$ 118,868
Construction in process	<u>-</u>	<u>462,999</u>	<u>-</u>	<u>462,999</u>
Total Nondepreciable Assets	<u>\$ 118,868</u>	<u>\$ 462,999</u>	<u>\$ -</u>	<u>\$ 581,867</u>
Land improvements	\$ 269,902	\$ -	\$ -	\$ 269,902
Buildings and improvements	895,731	2,250	-	897,981
Machinery and equipment	244,686	87,299	-	331,985
Office equipment	53,477	4,484	-	57,961
Vehicles	80,414	41,325	(20,167)	101,572
Infrastructure	<u>66,676</u>	<u>19,902</u>	<u>-</u>	<u>86,578</u>
Subtotal	\$ 1,610,886	\$ 155,260	\$ (20,167)	\$ 1,745,979
Less: Accumulated Depreciation	<u>(246,649)</u>	<u>(85,781)</u>	<u>17,167</u>	<u>(315,263)</u>
Total Capital Assets Other Than Nondepreciable	<u>\$ 1,364,237</u>	<u>\$ 69,479</u>	<u>\$ (3,000)</u>	<u>\$ 1,430,716</u>
Business Activities				
Land	<u>\$ 149,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,333</u>
Buildings and improvements	\$ 1,841,383	\$ -	\$ -	\$ 1,841,383
Equipment	1,041,984	73,951	-	1,115,935
Utility systems	<u>2,072,121</u>	<u>502,246</u>	<u>-</u>	<u>2,574,367</u>
Subtotal	\$ 4,955,488	\$ 576,197	\$ -	\$ 5,531,685
Less: Accumulated Depreciation	<u>(2,409,734)</u>	<u>(115,240)</u>	<u>-</u>	<u>(2,524,974)</u>
Total Capital Assets Other Than Land	<u>\$ 2,545,754</u>	<u>\$ 460,957</u>	<u>\$ -</u>	<u>\$ 3,006,711</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 4 - CAPITAL ASSETS - Continued

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:

General government	\$ 40,803
Public safety	14,913
Public works	<u>30,065</u>
Total	<u>\$ 85,781</u>

Business-Type functions:

Water	\$ 46,949
Sewer	<u>68,291</u>
Total	<u>\$ 115,240</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended June 30, 2006:

	<u>Bonds</u>	<u>Other Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2005	\$ 1,759,000	\$ 245,066	\$ 34,734	\$ 2,038,800
New debt	-	103,000	-	103,000
Debt redeemed	<u>60,000</u>	<u>46,548</u>	<u>-</u>	<u>106,548</u>
Balance at June 30, 2006	<u>\$ 1,699,000</u>	<u>\$ 301,518</u>	<u>\$ 34,734</u>	<u>\$ 2,035,252</u>

Long-term debt at June 30, 2006 is comprised of the following individual issues:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities - Primary Activities					
\$27,765 Township of Hartford for annexation of property by the City conditional upon installation of water and sewer main along County Road 687 by December 31, 2013. Due in annual installments increasing from \$1,860 to \$3,683 through February 15, 2014, including interest at 5%.	\$ 12,496	\$ -	\$ 1,388	\$ 11,108	\$ 1,388
\$220,000 1999 Michigan Transportation Fund Bonds due in annual installments of \$10,000 to \$20,000 through August 1, 2014, plus interest at 5.0% to 5.1%.	170,000	-	10,000	160,000	15,000

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 5 - LONG-TERM DEBT - Continued

Governmental Activities - Primary Activities - Continued	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
\$60,831 2001 dump truck loan due in annual installments of \$14,320 through November 20, 2005, including interest at 5.69%.	13,545	-	13,545	-	-
\$732,000 2001 Building Authority Bonds, Series A, due in annual installments of \$7,000 to \$45,000 through November 1, 2042, plus interest at 4.75%.	712,000	-	7,000	705,000	8,000
\$60,000 2001 Building Authority Bonds, Series B, due in annual installments of \$1,000 to \$3,000 through November 1, 2039 plus interest at 4.75%.	57,000	-	1,000	56,000	1,000
\$39,450 2003 310SG backhoe loan due in annual installments of \$13,716 to \$5,715 through November 5, 2007, including interest at 2.74%.	19,025	-	13,362	5,663	5,663
\$200,000 loan for Water Improvement Fund from Van Buren County due in quarterly installments of \$5,505 to \$5,529 plus interest at 2% through May 17, 2015. ***	200,000	-	200,000	-	-
\$103,000 loan for purchase of police car and two public works trucks due in annual installments of \$8,000 to \$12,000 plus interest at 4.125% through August 1, 2015.	-	103,000	-	103,000	8,000
Compensated absences - General Fund, Property Replacement Fund, Streetscape Fund, Building Department Fund, Local Street Fund, Major Street Fund and Sidewalk Fund.	33,631	-	-	33,631	-
Total Primary Government	\$ 1,217,697	\$ 103,000	\$ 246,295	\$ 1,074,402	\$ 39,051

*** \$200,000 Water Improvement loan was moved from governmental activities to business-type activities during the year.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 5 - LONG-TERM DEBT - Continued

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due Within</u> <u>One Year</u>
Business Activities					
\$200,000 1987 Water Supply Revenue Bonds, Series A, due in annual installments of \$5,000 to \$10,000 through January 1, 2027, plus interest at 6.125%.	\$ 125,000	\$ -	\$ 5,000	\$ 120,000	\$ 5,000
\$75,000 1987 Water Supply Revenue Bonds, Series B, due in annual installments of \$2,000 to \$3,000 through January 1, 2027, plus interest at 5.75%.	45,000	-	2,000	43,000	2,000
\$395,000 Unlimited Tax General Obligation Bonds due in annual installments of \$15,000 to \$35,000 through October 15, 2015, plus interest at 5.5% to 6.1%.	280,000	-	20,000	260,000	20,000
\$425,000 1999 Water Supply and Sewage Disposal System Bonds due in annual installments of \$15,000 to \$30,000 through November 1, 2020, plus interest at 5.0% to 6.0%.	370,000	-	15,000	355,000	15,000
\$200,000 loan for Water Improvement Fund from Van Buren County due in quarterly installments of \$5,505 to \$5,529 plus interest of 2% through May 17, 2015. ***	-	200,000	18,253	181,747	18,621
Compensated absences - Water Fund and Sewer Fund.	1,103	-	-	1,103	-
Total Business Activities	<u>\$ 821,103</u>	<u>\$ 200,000</u>	<u>\$ 60,253</u>	<u>\$ 960,850</u>	<u>\$ 60,621</u>

*** \$200,000 Water Improvement loan was moved from governmental activities to business-type activities during the year.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 5 - LONG-TERM DEBT - Continued

Annual debt service requirements to maturity, excluding compensated absences, for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2007	\$ 39,051	\$ 48,966	\$ 60,621	\$ 47,027
2008	34,388	47,516	60,996	44,335
2009	34,388	46,105	61,379	41,614
2010	36,388	44,655	71,769	38,598
2011	41,389	43,043	72,167	35,284
2012-2016	200,167	183,380	394,815	120,158
2017-2021	72,000	147,348	180,000	46,732
2022-2026	94,000	127,873	45,000	14,912
2027-2031	116,000	102,747	13,000	896
2032-2036	149,000	71,609	-	-
2037-2041	179,000	32,279	-	-
2042-2046	45,000	1,069	-	-
Total	<u>\$ 1,040,771</u>	<u>\$ 896,590</u>	<u>\$ 959,747</u>	<u>\$ 389,556</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the year, the following transfers were made between funds:

From General Fund

To Property Replacement Fund	\$ 12,000
To Sidewalk Fund - for sidewalk repairs	4,000
To Major Street Fund	20,000

From Water

To Water Improvement	21,786
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From Major Street Fund

To West Municipal Parking Lot - for construction	6,233
To East Main Reconstruction - for construction	188,183

From Sewer Fund

To Water Improvement - for construction	2,508
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From Water Improvement

To Water Fund - to transfer capital assets	<u>286,748</u>
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Total Transfers Between Funds \$ 541,458

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

The composition of interfund balances as of June 30, 2006, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Building Authority	General Fund	\$ 4,167
	Total	\$ 4,167

The General Fund owes the Building Authority Fund for the June lease payment.

NOTE 7 - SEGMENT INFORMATION FROM ENTERPRISE FUNDS

The City maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended June 30, 2006 is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 331,700	\$ 344,008	\$ 675,708
Depreciation and amortization	46,949	68,291	115,240
Operating income (loss)	58,205	12,132	70,337
Nonoperating revenues (expenses)	(36,624)	1,720	(34,904)
Change in net assets	286,543	11,344	297,887
Property, plant, and equipment additions	539,222	36,975	576,197
Net working capital	47,584	355,943	403,527
Long-term debt	746,276	152,850	899,126
Total assets	1,917,868	1,912,937	3,830,805
Total net assets	1,104,476	1,747,195	2,851,671

NOTE 8 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of recent federal legislation with regard to Internal Revenue Code Section 457, the City no longer has the rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are no longer subject to the claims of the general creditors of the City. Therefore, the City is no longer required to account for the deferred compensation plan and the agency that accounted for it has been eliminated.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2006

NOTE 9 - NET ASSETS

Reservations of net assets are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as donor-restricted endowments and long-term advances to other funds or entities.

At June 30, 2006, reservations of fund equity consisted of the following:

ENTERPRISE FUNDS

Water Fund

Reserved for restricted assets

\$ 191,224

NOTE 10 - LEASE AGREEMENT

On December 4, 2001, the City of Hartford Building Authority issued City of Hartford Building Authority, Building Authority Bonds, Series 2001A and 2001B in the amount \$732,000 and \$60,000 respectively. Subsequent to issuing bonds, the Building Authority constructed a new City Hall and Police Department headquarters. The City of Hartford entered into a lease contract with the Building Authority. The lease contract provides for the City to pay the Building Authority rent for the City Hall in an amount sufficient to enable the Building Authority to pay the principal and interest on the bonds issued by the Building Authority. The lease contract will terminate when all bonds issued by the Building Authority to finance the project have been retired. At that time, the Building Authority will convey to the City all of its rights, title and interest in the City Hall.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

A loan was received during the previous fiscal year from Van Buren County for the purpose of financing the Paras Hill water project. The loan was recorded in the Water Improvement Fund last year. The loan is being serviced out of the Water Operating Fund and the capital assets on this project are being transferred to the Water Operating Fund. The prior period adjustment is being made to record the net effect of the loan from Van Buren County and the capital assets that should have been transferred to the Water Operating Fund in the previous fiscal year.

NOTE 12 - FUND DEFICIT

The Water Improvement Fund has a fund deficit in the amount of \$88,110. The deficit is due to an accounts payable accrued at June 30, 2006. As bills become due, the City transfers money into the Water Improvement Fund. The operating transfer to cover the accounts payable was made upon payment of the actual payable after June 30, 2006.

**CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sidewalk Fund - This fund is used to account for revenues collected and monies expended for the purpose of street sidewalks.

Local Street Fund - This fund is used to account for revenues collected and monies expended for local street improvements.

Building Department Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

Building Authority - This fund is a blended component unit. It is used to collect lease payments from the City and make debt payments.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Property Replacement Fund - This fund is used to account for the capital improvements to replace obsolete equipment.

West Municipal Parking Lot Fund - This fund is used to account for the acquisition and development of a vacant parcel of land into a public parking lot.

**CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2006**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 145,708	\$ 76,765	\$ 222,473
Due from other governments	7,257	-	7,257
Due from other funds	4,167	-	4,167
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	\$ 157,132	\$ 76,765	\$ 233,897
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 157,132	\$ 76,765	\$ 233,897
	<u> </u>	<u> </u>	<u> </u>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to general fund	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Unreserved, report in:			
Special Revenue	\$ 157,132	\$ -	\$ 157,132
Capital Projects	-	76,765	76,765
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ 157,132	\$ 76,765	\$ 233,897
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 157,132	\$ 76,765	\$ 233,897
	<u> </u>	<u> </u>	<u> </u>

CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2006

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
State revenues	\$ 56,578	\$ -	\$ 56,578
Rent	50,000	-	50,000
Licenses and permits	61,912	-	61,912
Miscellaneous revenue	1,325	-	1,325
Federal grant	<u>-</u>	<u>37,000</u>	<u>37,000</u>
Total Revenues	<u>\$ 169,815</u>	<u>\$ 37,000</u>	<u>\$ 206,815</u>
Expenditures:			
Current:			
Public safety	\$ 10,977	\$ -	\$ 10,977
Public works	58,897	-	58,897
Debt service:			
Principal	8,000	-	8,000
Interest	36,338	1,447	37,785
Capital outlay:			
General government	-	4,484	4,484
Public safety	-	22,366	22,366
Public works	<u>-</u>	<u>122,493</u>	<u>122,493</u>
Total Expenditures	<u>\$ 114,212</u>	<u>\$ 150,790</u>	<u>\$ 265,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 55,603</u>	<u>\$ (113,790)</u>	<u>\$ (58,187)</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ 4,000	\$ 18,233	\$ 22,233
Loan proceeds	<u>-</u>	<u>103,000</u>	<u>103,000</u>
Total Other Financing Sources (Uses)	<u>\$ 4,000</u>	<u>\$ 121,233</u>	<u>\$ 125,233</u>
Net Change in Fund Balances	\$ 59,603	\$ 7,443	\$ 67,046
Fund Balances - July 1, 2005	<u>97,529</u>	<u>69,322</u>	<u>166,851</u>
FUND BALANCES - JUNE 30, 2006	<u>\$ 157,132</u>	<u>\$ 76,765</u>	<u>\$ 233,897</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 359,500	\$ 339,267	\$ 349,730	\$ 10,463
Tax administration fee	-	11,756	12,855	1,099
Licenses and permits	-	13,500	13,842	342
Equipment rental	125,000	120,000	122,923	2,923
State revenue	320,000	328,270	332,787	4,517
Federal grant	44,000	44,000	7,309	(36,691)
Charges for services	-	-	979	979
Fines and forfeits	-	-	2,041	2,041
Interest	30,000	25,000	28,524	3,524
Administration fee - other funds	69,500	67,500	66,636	(864)
Other	10,500	19,197	55,934	36,737
Insurance refunds	-	-	12,500	12,500
Total Revenues	\$ 958,500	\$ 968,490	\$ 1,006,060	\$ 37,570
Expenditures:				
Current:				
General government	\$ 315,709	\$ 313,427	\$ 305,221	\$ 8,206
Public safety	403,800	423,800	405,270	18,530
Public works	222,900	152,900	128,126	24,774
Recreation and cultural	6,000	5,000	4,798	202
Debt service	33,000	40,000	30,519	9,481
Total Expenditures	\$ 981,409	\$ 935,127	\$ 873,934	\$ 61,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (22,909)	\$ 33,363	\$ 132,126	\$ 98,763
Other Financing Sources (Uses):				
Operating transfers out	(3,000)	(29,000)	(36,000)	(7,000)
Net change in Fund Balances	\$ (25,909)	\$ 4,363	\$ 96,126	\$ 91,763
Fund Balances - July 1, 2005	502,041	502,041	502,041	-
FUND BALANCES - JUNE 30, 2006	\$ 476,132	\$ 506,404	\$ 598,167	\$ 91,763

**CITY OF HARTFORD
MAJOR STREET FUND
Statement of Revenues, Expenditures, and
Changes In Fund Balances - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State revenues	\$ 151,500	\$ 151,500	\$ 139,717	\$ (11,783)
Other	<u>5,500</u>	<u>5,500</u>	<u>9,778</u>	<u>4,278</u>
Total Revenues	<u>\$ 157,000</u>	<u>\$ 157,000</u>	<u>\$ 149,495</u>	<u>\$ (7,505)</u>
Expenditures:				
Routine maintenance	\$ 37,500	\$ 37,500	\$ 24,571	\$ 12,929
Traffic services	10,000	10,000	27,385	(17,385)
Street construction	55,000	55,000	9,850	45,150
Nonmotorized	2,000	1,300	-	1,300
Winter maintenance	21,000	21,000	7,577	13,423
Professional fees	5,400	5,400	5,000	400
Debt service:				
Principal	16,000	16,000	10,000	6,000
Interest	<u>10,800</u>	<u>10,800</u>	<u>8,290</u>	<u>2,510</u>
Total Expenditures	<u>\$ 157,700</u>	<u>\$ 157,000</u>	<u>\$ 92,673</u>	<u>\$ 64,327</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (700)</u>	<u>\$ -</u>	<u>\$ 56,822</u>	<u>\$ 56,822</u>
Other Financing Sources (Uses):				
Operating transfers out	\$ -	\$ (114,354)	\$ (194,416)	\$ (80,062)
Operating transfers in	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (94,354)</u>	<u>\$ (174,416)</u>	<u>\$ (80,062)</u>
Net Change in Fund Balances	<u>\$ (700)</u>	<u>\$ (94,354)</u>	<u>\$ (117,594)</u>	<u>\$ (23,240)</u>
Fund Balances - July 1, 2005	<u>294,681</u>	<u>294,681</u>	<u>294,681</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2006	<u>\$ 293,981</u>	<u>\$ 200,327</u>	<u>\$ 177,087</u>	<u>\$ (23,240)</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ 339,267	\$ 349,730	\$ 10,463
Tax administration fee	11,756	12,855	1,099
Licenses and permits	13,500	13,842	342
Equipment rental	120,000	122,923	2,923
State revenue	328,270	332,787	4,517
Federal grant	44,000	7,309	(36,691)
Charges for services	-	979	979
Fines and forfeits	-	2,041	2,041
Interest	25,000	28,524	3,524
Administration fee - other funds	67,500	66,636	(864)
Other	19,197	55,934	36,737
Insurance refunds	-	12,500	12,500
Total Revenues	<u>\$ 968,490</u>	<u>\$ 1,006,060</u>	<u>\$ 37,570</u>
Expenditures:			
General government	\$ 313,427	\$ 305,221	\$ 8,206
Public safety	423,800	405,270	18,530
Public works	152,900	128,126	24,774
Recreation and culture	5,000	4,798	202
Debt service:			
Principal	38,000	29,439	8,561
Interest	2,000	1,080	920
Total Expenditures	<u>\$ 935,127</u>	<u>\$ 873,934</u>	<u>\$ 61,193</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 33,363</u>	<u>\$ 132,126</u>	<u>\$ 98,763</u>
Other Financing Sources (Uses):			
Operating transfers out	\$ (29,000)	\$ (36,000)	\$ (7,000)
Total Other Financing Sources (Uses)	<u>\$ (29,000)</u>	<u>\$ (36,000)</u>	<u>\$ (7,000)</u>
Net Change in Fund Balance	<u>\$ 4,363</u>	<u>\$ 96,126</u>	<u>\$ 91,763</u>
Fund Balances - July 1, 2005	<u>502,041</u>	<u>502,041</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2006	<u>\$ 506,404</u>	<u>\$ 598,167</u>	<u>\$ 91,763</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government			
City Council:			
Salaries and wages	\$ 7,200	\$ 7,200	\$ -
Benefits	1,000	1,036	(36)
Insurance and bonds	2,300	2,000	300
Membership dues	2,300	2,075	225
Miscellaneous	5,283	4,719	564
Total City Council	<u>\$ 18,083</u>	<u>\$ 17,030</u>	<u>\$ 1,053</u>
Mayor:			
Salaries and wages	\$ 1,500	\$ 1,500	\$ -
Benefits	200	115	85
Miscellaneous	300	-	300
Total Mayor	<u>\$ 2,000</u>	<u>\$ 1,615</u>	<u>\$ 385</u>
City Manager:			
Salaries and wages	\$ 57,750	\$ 63,047	\$ (5,297)
Benefits	20,565	17,946	2,619
Insurance and bonds	420	400	20
Membership dues	600	175	425
Contractual services	1,200	413	787
Miscellaneous	1,100	370	730
Total City Manager	<u>\$ 81,635</u>	<u>\$ 82,351</u>	<u>\$ (716)</u>
Elections:			
Postage	\$ 300	\$ -	\$ 300
Supplies	1,500	602	898
Contractual services	3,000	1,201	1,799
Travel	100	53	47
Publishing	500	32	468
Total Elections	<u>\$ 5,400</u>	<u>\$ 1,888</u>	<u>\$ 3,512</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - Continued			
Assessor:			
Contractual services	\$ 10,000	\$ 11,102	\$ (1,102)
Supplies	2,000	503	1,497
Postage	500	370	130
	<u>12,500</u>	<u>11,975</u>	<u>525</u>
Total Assessor	\$	\$	\$
Professional Services:			
Legal	\$ 3,500	\$ 3,103	\$ 397
Audit	7,500	7,400	100
	<u>11,000</u>	<u>10,503</u>	<u>497</u>
Total Professional Services	\$	\$	\$
Clerk:			
Salaries	\$ 31,270	\$ 32,036	\$ (766)
Benefits	9,425	8,095	1,330
Supplies	300	-	300
Postage	100	-	100
Publishing	700	684	16
Contractual services	500	447	53
Office equipment	250	-	250
Miscellaneous	1,500	682	818
	<u>44,045</u>	<u>41,944</u>	<u>2,101</u>
Total Clerk	\$	\$	\$
Central Supply:			
Supplies	\$ 4,000	\$ 3,579	\$ 421
Repairs and maintenance	1,500	596	904
	<u>5,500</u>	<u>4,175</u>	<u>1,325</u>
Total Central Supply	\$	\$	\$
Board of Review:			
Contractual services	\$ 700	\$ 673	\$ 27
Miscellaneous	400	340	60
	<u>1,100</u>	<u>1,013</u>	<u>87</u>
Total Board of Review	\$	\$	\$

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - Continued			
Treasurer:			
Salaries and wages	\$ 36,000	\$ 39,043	\$ (3,043)
Benefits	16,814	13,740	3,074
Postage	500	352	148
Travel	700	435	265
Contractual services	500	415	85
Insurance and bonds	700	700	-
Operating supplies	1,800	654	1,146
Office equipment	750	16	734
Miscellaneous	900	863	37
Total Treasurer	<u>\$ 58,664</u>	<u>\$ 56,218</u>	<u>\$ 2,446</u>
City Hall and Grounds:			
Contractual services	\$ 4,000	\$ 5,323	\$ (1,323)
Utilities and telephone	10,600	9,143	1,457
Repairs and maintenance	1,200	2,561	(1,361)
Insurance and bonds	1,200	1,200	-
Building improvements	500	2,422	(1,922)
Lease expense	50,000	50,000	-
Equipment	500	358	142
Supplies	5,500	5,502	(2)
Total City Hall and Grounds	<u>\$ 73,500</u>	<u>\$ 76,509</u>	<u>\$ (3,009)</u>
 TOTAL GENERAL GOVERNMENT	 <u>\$ 313,427</u>	 <u>\$ 305,221</u>	 <u>\$ 8,206</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Police Department:			
Salaries and wages	\$ 233,000	\$ 236,126	\$ (3,126)
Benefits	82,700	71,189	11,511
Supplies	2,900	3,177	(277)
Postage	1,000	-	1,000
Legal	1,500	192	1,308
Clothing allowance	3,000	1,412	1,588
Gasoline and oil	9,000	8,476	524
Contractual services	1,500	2,461	(961)
Telephone	4,500	3,391	1,109
Repairs and maintenance	5,500	6,451	(951)
Training fund	2,000	-	2,000
Membership fees	200	184	16
Insurance and bonds	4,500	4,500	-
Capital outlay	1,200	438	762
Total Police Department	<u>\$ 352,500</u>	<u>\$ 337,997</u>	<u>\$ 14,503</u>
Fire Department:			
Contribution to Fire Board	<u>\$ 55,300</u>	<u>\$ 54,288</u>	<u>\$ 1,012</u>
Total Fire Department	<u>\$ 55,300</u>	<u>\$ 54,288</u>	<u>\$ 1,012</u>
Zoning Board:			
Salaries and wages	\$ 11,600	\$ 10,408	\$ 1,192
Benefits	900	789	111
Contractual services	800	704	96
Supplies	300	32	268
Training	1,500	805	695
Miscellaneous	800	32	768
Postage	100	115	(15)
Insurance and bonds	-	100	(100)
Total Zoning Board	<u>\$ 16,000</u>	<u>\$ 12,985</u>	<u>\$ 3,015</u>
TOTAL PUBLIC SAFETY	<u>\$ 423,800</u>	<u>\$ 405,270</u>	<u>\$ 18,530</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Works			
Department of Public Works:			
Salaries and wages	\$ 65,000	\$ 53,977	\$ 11,023
Benefits	33,500	16,029	17,471
Supplies	6,000	6,282	(282)
Clothing allowance	2,000	988	1,012
Gasoline and oil	10,000	15,706	(5,706)
Contractual services	10,000	9,669	331
Utilities and telephone	6,900	9,723	(2,823)
Repairs and maintenance	10,000	7,722	2,278
Training	1,000	30	970
Insurance and bonds	8,000	8,000	-
Miscellaneous	500	-	500
	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL PUBLIC WORKS	<u>\$ 152,900</u>	<u>\$ 128,126</u>	<u>\$ 24,774</u>
Recreation and Culture			
Miscellaneous	\$ 5,000	\$ 4,798	\$ 202
	<u>5,000</u>	<u>4,798</u>	<u>202</u>
TOTAL RECREATION AND CULTURE	<u>\$ 5,000</u>	<u>\$ 4,798</u>	<u>\$ 202</u>
Debt Service			
Principal	\$ 38,000	\$ 29,439	\$ 8,561
Interest	2,000	1,080	920
	<u>2,000</u>	<u>1,080</u>	<u>920</u>
TOTAL DEBT SERVICE	<u>\$ 40,000</u>	<u>\$ 30,519</u>	<u>\$ 9,481</u>
TOTAL EXPENDITURES	<u>\$ 935,127</u>	<u>\$ 873,934</u>	<u>\$ 61,193</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Other Financing Sources and Uses - Budget and Actual
For the Year Ended June 30, 2006**

Uses	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating transfer to Sidewalk Fund	\$ 4,000	\$ 4,000	\$ -
Operating transfer to Replacement Fund	5,000	12,000	(7,000)
Operating transfer to Major Street Fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>
 TOTAL USES	 <u>\$ 29,000</u>	 <u>\$ 36,000</u>	 <u>\$ (7,000)</u>

CITY OF HARTFORD
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2006

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>	<u>Building Authority</u>	<u>Total</u>
Assets					
Cash	\$ 65,345	\$ 1,787	\$ 70,056	\$ 8,520	\$ 145,708
Due from other governmental units	7,257	-	-	-	7,257
Due from other funds	-	-	-	4,167	4,167
TOTAL ASSETS	<u>\$ 72,602</u>	<u>\$ 1,787</u>	<u>\$ 70,056</u>	<u>\$ 12,687</u>	<u>\$ 157,132</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance					
Unreserved - undesignated	<u>\$ 72,602</u>	<u>\$ 1,787</u>	<u>\$ 70,056</u>	<u>\$ 12,687</u>	<u>\$ 157,132</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 72,602</u>	<u>\$ 1,787</u>	<u>\$ 70,056</u>	<u>\$ 12,687</u>	<u>\$ 157,132</u>

CITY OF HARTFORD
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2006

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>
Revenues			
State revenue	\$ 56,578	\$ -	\$ -
Rent revenue	-	-	-
Permits and fees	-	-	61,912
Miscellaneous revenue	<u>1,325</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 57,903</u>	<u>\$ -</u>	<u>\$ 61,912</u>
Expenditures			
Administration fee	\$ -	\$ -	\$ 2,636
Routine maintenance	46,512	-	-
Traffic services	714	-	-
Improvements	-	4,000	-
Winter maintenance	6,171	-	-
Debt service	-	-	-
Building department	-	-	8,341
Professional fees	<u>1,500</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 54,897</u>	<u>\$ 4,000</u>	<u>\$ 10,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,006</u>	<u>\$ (4,000)</u>	<u>\$ 50,935</u>
Other Financing Sources			
Operating transfers in	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Total Other Financing Sources	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ 3,006	\$ -	\$ 50,935
Fund Balances - July 1, 2005	<u>69,596</u>	<u>1,787</u>	<u>19,121</u>
FUND BALANCES - JUNE 30, 2006	<u>\$ 72,602</u>	<u>\$ 1,787</u>	<u>\$ 70,056</u>

<u>Building Authority</u>	<u>Total</u>
\$ -	\$ 56,578
50,000	50,000
-	61,912
-	1,325
<u>\$ 50,000</u>	<u>\$ 169,815</u>
 \$ -	 \$ 2,636
-	46,512
-	714
-	4,000
-	6,171
44,338	44,338
-	8,341
-	1,500
<u>\$ 44,338</u>	<u>\$ 114,212</u>
 \$ 5,662	 \$ 55,603
<u>\$ -</u>	<u>\$ 4,000</u>
<u>\$ -</u>	<u>\$ 4,000</u>
\$ 5,662	\$ 59,603
7,025	97,529
<u>\$ 12,687</u>	<u>\$ 157,132</u>

CITY OF HARTFORD
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Balance Sheet
June 30, 2006

	Property Replacement <u>Fund</u>	West Municipal <u>Parking Lot</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 76,765	\$ -	\$ 76,765
 TOTAL CURRENT ASSETS	 \$ 76,765	 \$ -	 \$ 76,765
 Fund Equity			
Fund balance:			
Unreserved	\$ 76,765	\$ -	\$ 76,765
 Total Fund Equity	 \$ 76,765	 \$ -	 \$ 76,765
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 76,765	 \$ -	 \$ 76,765

CITY OF HARTFORD
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2006

	Property Replacement Fund	West Municipal Parking Lot	Total
Revenues			
Federal grant	\$ 27,000	\$ 10,000	\$ 37,000
Total Revenues	<u>\$ 27,000</u>	<u>\$ 10,000</u>	<u>\$ 37,000</u>
Expenditures			
Capital outlay:			
General government	\$ 4,484	\$ -	\$ 4,484
Public safety	22,366	-	22,366
Public works	106,260	16,233	122,493
Debt service:			
Interest	<u>1,447</u>	<u>-</u>	<u>1,447</u>
Total Expenditures	<u>\$ 134,557</u>	<u>\$ 16,233</u>	<u>\$ 150,790</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (107,557)</u>	<u>\$ (6,233)</u>	<u>\$ (113,790)</u>
Other Financing Sources (Uses)			
Operating transfers in (out)	\$ 12,000	\$ 6,233	\$ 18,233
Loan proceeds	<u>103,000</u>	<u>-</u>	<u>103,000</u>
Total Other Financing Sources (Uses)	<u>\$ 115,000</u>	<u>\$ 6,233</u>	<u>\$ 121,233</u>
Net Change in Fund Balance	\$ 7,443	\$ -	\$ 7,443
Fund Balances - July 1, 2005	<u>69,322</u>	<u>-</u>	<u>69,322</u>
FUND BALANCES - JUNE 30, 2006	<u>\$ 76,765</u>	<u>\$ -</u>	<u>\$ 76,765</u>

CITY OF HARTFORD
AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Trust and Agency Fund
For the Year Ended June 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2006</u>
Assets				
Cash	\$ 6,173	\$ 4,618	\$ 10,420	\$ 371
TOTAL ASSETS	<u>\$ 6,173</u>	<u>\$ 4,618</u>	<u>\$ 10,420</u>	<u>\$ 371</u>
Liabilities and Fund Balance				
Due to employees	\$ 96	\$ 145	\$ 65	\$ 176
Due to recreation fund	8	-	-	8
Due to general fund	1,135	489	1,624	-
Due to other governmental units	4,772	3,984	8,731	25
Memorial fund	<u>162</u>	<u>-</u>	<u>-</u>	<u>162</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,173</u>	<u>\$ 4,618</u>	<u>\$ 10,420</u>	<u>\$ 371</u>

CITY OF HARTFORD
AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Current Tax Fund
For the Year Ended June 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2006</u>
Assets				
Cash	\$ -	\$ 1,171,067	\$ 1,171,017	\$ 50
 TOTAL ASSETS	 \$ -	 \$ 1,171,067	 \$ 1,171,017	 \$ 50
 Liabilities				
Due to other funds	\$ -	\$ 360,351	\$ 360,351	\$ -
Due to other governmental units	-	810,716	810,666	50
 TOTAL LIABILITIES AND FUND BALANCE	 \$ -	 \$ 1,171,067	 \$ 1,171,017	 \$ 50

CITY OF HARTFORD
2003 Purchase Contract - Backhoe
June 30, 2006

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u> <u>November 5,</u>	<u>Principal Due</u> <u>November 5,</u>	<u>Balance</u>
2007	2.74%	\$ 5,717	\$ 54	\$ 5,663	
		<u>\$ 5,717</u>	<u>\$ 54</u>	<u>\$ 5,663</u>	

CITY OF HARTFORD
Schedule of 1987 Water Supply Revenue Bonds, Series A
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			July 1	January 1	January 1	
2007	6.125%	\$ 13,700	\$ 4,350	\$ 4,350	\$ 5,000	\$ 115,000
2008	6.125	13,338	4,169	4,169	5,000	110,000
2009	6.125	12,976	3,988	3,988	5,000	105,000
2010	6.125	12,612	3,806	3,806	5,000	100,000
2011	6.125	12,250	3,625	3,625	5,000	95,000
2012	6.125	11,888	3,444	3,444	5,000	90,000
2013	6.125	11,526	3,263	3,263	5,000	85,000
2014	6.125	11,162	3,081	3,081	5,000	80,000
2015	6.125	10,800	2,900	2,900	5,000	75,000
2016	6.125	10,434	2,717	2,717	5,000	70,000
2017	6.125	10,076	2,538	2,538	5,000	65,000
2018	6.125	9,712	2,356	2,356	5,000	60,000
2019	6.125	9,350	2,175	2,175	5,000	55,000
2020	6.125	8,988	1,994	1,994	5,000	50,000
2021	6.125	8,624	1,812	1,812	5,000	45,000
2022	6.125	8,262	1,631	1,631	5,000	40,000
2023	6.125	7,900	1,450	1,450	5,000	35,000
2024	6.125	7,538	1,269	1,269	5,000	30,000
2025	6.125	12,174	1,087	1,087	10,000	20,000
2026	6.125	11,450	725	725	10,000	10,000
2027	6.125	10,724	362	362	10,000	-
		<u>\$ 225,484</u>	<u>\$ 52,742</u>	<u>\$ 52,742</u>	<u>\$ 120,000</u>	

CITY OF HARTFORD
Schedule of 1987 Water Supply Revenue Bonds, Series B
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due January 1	Balance
			July 1	January 1		
2007	5.75%	\$ 4,472	\$ 1,236	\$ 1,236	\$ 2,000	\$ 41,000
2008	5.75	4,358	1,179	1,179	2,000	39,000
2009	5.75	4,242	1,121	1,121	2,000	37,000
2010	5.75	4,128	1,064	1,064	2,000	35,000
2011	5.75	4,012	1,006	1,006	2,000	33,000
2012	5.75	3,898	949	949	2,000	31,000
2013	5.75	3,782	891	891	2,000	29,000
2014	5.75	3,668	834	834	2,000	27,000
2015	5.75	3,552	776	776	2,000	25,000
2016	5.75	3,438	719	719	2,000	23,000
2017	5.75	3,322	661	661	2,000	21,000
2018	5.75	3,208	604	604	2,000	19,000
2019	5.75	3,092	546	546	2,000	17,000
2020	5.75	2,978	489	489	2,000	15,000
2021	5.75	2,862	431	431	2,000	13,000
2022	5.75	2,748	374	374	2,000	11,000
2023	5.75	2,632	316	316	2,000	9,000
2024	5.75	2,518	259	259	2,000	7,000
2025	5.75	2,402	201	201	2,000	5,000
2026	5.75	2,288	144	144	2,000	3,000
2027	5.75	3,172	86	86	3,000	-
		<u>\$ 70,772</u>	<u>\$ 13,886</u>	<u>\$ 13,886</u>	<u>\$ 43,000</u>	

CITY OF HARTFORD
Schedule of Unlimited Tax General Obligation Bonds
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due October 1	Balance
			October 1	April 1		
2007	5.40%	\$ 34,676	\$ 7,608	\$ 7,068	\$ 20,000	\$ 240,000
2008	5.50	33,585	7,068	6,517	20,000	220,000
2009	5.60	32,475	6,517	5,958	20,000	200,000
2010	5.70	36,203	5,958	5,245	25,000	175,000
2011	5.80	34,765	5,245	4,520	25,000	150,000
2012	5.90	33,303	4,520	3,783	25,000	125,000
2013	6.00	36,666	3,783	2,883	30,000	95,000
2014	6.00	34,866	2,883	1,983	30,000	65,000
2015	6.10	33,050	1,983	1,067	30,000	35,000
2016	6.10	36,067	1,067	-	35,000	-
		<u>\$ 345,656</u>	<u>\$ 46,632</u>	<u>\$ 39,024</u>	<u>\$ 260,000</u>	

CITY OF HARTFORD
Schedule of 1999 Michigan Transportation Fund Bonds
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due August 1	Balance
			August 1	February 1		
2007	5.00%	\$ 22,665	\$ 4,020	\$ 3,645	\$ 15,000	\$ 145,000
2008	5.00	21,915	3,645	3,270	15,000	130,000
2009	5.00	21,165	3,270	2,895	15,000	115,000
2010	5.00	20,415	2,895	2,520	15,000	100,000
2011	5.00	24,540	2,520	2,020	20,000	80,000
2012	5.00	23,540	2,020	1,520	20,000	60,000
2013	5.00	22,540	1,520	1,020	20,000	40,000
2014	5.10	21,530	1,020	510	20,000	20,000
2015	5.10	20,510	510	-	20,000	-
		<u>\$ 198,820</u>	<u>\$ 21,420</u>	<u>\$ 17,400</u>	<u>\$ 160,000</u>	

CITY OF HARTFORD
Schedule of 1999 Water Supply and Sewage Disposal System Bonds
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			November 1	May 1	November 1	
2007	5.00%	\$ 32,683	\$ 9,029	\$ 8,654	\$ 15,000	\$ 340,000
2008	5.00	31,933	8,654	8,279	15,000	325,000
2009	5.00	31,183	8,279	7,904	15,000	310,000
2010	5.00	35,308	7,904	7,404	20,000	290,000
2011	5.00	34,308	7,404	6,904	20,000	270,000
2012	5.00	38,183	6,904	6,279	25,000	245,000
2013	5.00	36,933	6,279	5,654	25,000	220,000
2014	5.00	35,683	5,654	5,029	25,000	195,000
2015	5.00	34,433	5,029	4,404	25,000	170,000
2016	5.05	33,176	4,404	3,772	25,000	145,000
2017	5.10	31,907	3,772	3,135	25,000	120,000
2018	5.15	35,497	3,135	2,362	30,000	90,000
2019	5.20	33,944	2,362	1,582	30,000	60,000
2020	5.25	32,377	1,582	795	30,000	30,000
2021	5.30	30,795	795	-	30,000	-
		<u>\$ 508,343</u>	<u>\$ 81,186</u>	<u>\$ 72,157</u>	<u>\$ 355,000</u>	

CITY OF HARTFORD
Schedule of Property Annexation Agreement
June 30, 2006

Year Ended June 30.	Interest Rate	Annual Debt Service	Interest Due February 15	Principal Due February 15	Balance
2007	5.00%	\$ 2,618	\$ 1,230	\$ 1,388	\$ 9,720
2008	5.00	2,749	1,361	1,388	8,332
2009	5.00	2,886	1,498	1,388	6,944
2010	5.00	3,030	1,642	1,388	5,556
2011	5.00	3,182	1,793	1,389	4,167
2012	5.00	3,341	1,952	1,389	2,778
2013	5.00	3,508	2,119	1,389	1,389
2014	5.00	3,684	2,295	1,389	-
		<u>\$ 24,998</u>	<u>\$ 13,890</u>	<u>\$ 11,108</u>	

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series A
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
2007	4.75%	\$ 41,298	\$ 16,744	\$ 16,554	\$ 8,000	\$ 697,000
2008	4.75	40,918	16,554	16,364	8,000	689,000
2009	4.75	40,538	16,364	16,174	8,000	681,000
2010	4.75	41,134	16,174	15,960	9,000	672,000
2011	4.75	40,706	15,960	15,746	9,000	663,000
2012	4.75	41,255	15,746	15,509	10,000	653,000
2013	4.75	40,780	15,509	15,271	10,000	643,000
2014	4.75	41,281	15,271	15,010	11,000	632,000
2015	4.75	40,759	15,010	14,749	11,000	621,000
2016	4.75	41,213	14,749	14,464	12,000	609,000
2017	4.75	40,643	14,464	14,179	12,000	597,000
2018	4.75	41,049	14,179	13,870	13,000	584,000
2019	4.75	40,431	13,870	13,561	13,000	571,000
2020	4.75	40,790	13,561	13,229	14,000	557,000
2021	4.75	41,102	13,229	12,873	15,000	542,000
2022	4.75	40,389	12,873	12,516	15,000	527,000
2023	4.75	40,652	12,516	12,136	16,000	511,000
2024	4.75	40,869	12,136	11,733	17,000	494,000
2025	4.75	41,038	11,733	11,305	18,000	476,000
2026	4.75	41,159	11,305	10,854	19,000	457,000
2027	4.75	41,233	10,854	10,379	20,000	437,000
2028	4.75	40,283	10,379	9,904	20,000	417,000
2029	4.75	40,309	9,904	9,405	21,000	396,000
2030	4.75	40,288	9,405	8,883	22,000	374,000
2031	4.75	40,219	8,883	8,336	23,000	351,000
2032	4.75	41,079	8,336	7,743	25,000	326,000
2033	4.75	40,868	7,743	7,125	26,000	300,000
2034	4.75	40,609	7,125	6,484	27,000	273,000
2035	4.75	40,303	6,484	5,819	28,000	245,000
2036	4.75	40,925	5,819	5,106	30,000	215,000
2037	4.75	40,476	5,106	4,370	31,000	184,000
2038	4.75	39,980	4,370	3,610	32,000	152,000
2039	4.75	40,413	3,610	2,803	34,000	118,000
2040	4.75	40,751	2,803	1,948	36,000	82,000
2041	4.75	40,017	1,948	1,069	37,000	45,000
2042	4.75	46,069	1,069	-	45,000	-
		<u>\$ 1,471,826</u>	<u>\$ 391,785</u>	<u>\$ 375,041</u>	<u>\$ 705,000</u>	

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series B
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
2007	4.75%	\$ 3,636	\$ 1,330	\$ 1,306	\$ 1,000	\$ 55,000
2008	4.75	3,589	1,306	1,283	1,000	54,000
2009	4.75	3,542	1,283	1,259	1,000	53,000
2010	4.75	3,494	1,259	1,235	1,000	52,000
2011	4.75	3,446	1,235	1,211	1,000	51,000
2012	4.75	3,399	1,211	1,188	1,000	50,000
2013	4.75	3,352	1,188	1,164	1,000	49,000
2014	4.75	3,304	1,164	1,140	1,000	48,000
2015	4.75	3,256	1,140	1,116	1,000	47,000
2016	4.75	3,209	1,116	1,093	1,000	46,000
2017	4.75	3,162	1,093	1,069	1,000	45,000
2018	4.75	3,114	1,069	1,045	1,000	44,000
2019	4.75	3,066	1,045	1,021	1,000	43,000
2020	4.75	3,019	1,021	998	1,000	42,000
2021	4.75	2,972	998	974	1,000	41,000
2022	4.75	2,924	974	950	1,000	40,000
2023	4.75	3,853	950	903	2,000	38,000
2024	4.75	3,758	903	855	2,000	36,000
2025	4.75	3,663	855	808	2,000	34,000
2026	4.75	3,568	808	760	2,000	32,000
2027	4.75	3,473	760	713	2,000	30,000
2028	4.75	3,378	713	665	2,000	28,000
2029	4.75	3,283	665	618	2,000	26,000
2030	4.75	3,188	618	570	2,000	24,000
2031	4.75	3,093	570	523	2,000	22,000
2032	4.75	2,998	523	475	2,000	20,000
2033	4.75	2,903	475	428	2,000	18,000
2034	4.75	3,784	428	356	3,000	15,000
2035	4.75	3,641	356	285	3,000	12,000
2036	4.75	3,499	285	214	3,000	9,000
2037	4.75	3,357	214	143	3,000	6,000
2038	4.75	3,214	143	71	3,000	3,000
2039	4.75	3,071	71	-	3,000	-
		<u>\$ 110,208</u>	<u>\$ 27,769</u>	<u>\$ 26,439</u>	<u>\$ 56,000</u>	

CITY OF HARTFORD
Schedule of Economic Development Corporation Promissory Note
June 30, 2006

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due	Principal Due	Balance
2007	2.00%	\$ 22,117	\$ 3,496	\$ 18,621	\$ 163,126
2008	2.00	22,117	3,121	18,996	144,130
2009	2.00	22,117	2,738	19,379	124,751
2010	2.00	22,116	2,347	19,769	104,982
2011	2.00	22,116	1,949	20,167	84,815
2012	2.00	22,117	1,543	20,574	64,241
2013	2.00	22,116	1,128	20,988	43,253
2014	2.00	22,116	705	21,411	21,842
2015	2.00	22,116	274	21,842	-
		<u>\$ 199,048</u>	<u>\$ 17,301</u>	<u>\$ 181,747</u>	

CITY OF HARTFORD
Schedule of Installment Note - USDA Rural Housing Service
Public Safety and Public Works Vehicles
June 30, 2006

Year Ended	Interest	Annual	Interest Due		Principal Due	
<u>June 30,</u>	<u>Rate</u>	<u>Debt Service</u>	<u>August 1</u>	<u>February 1</u>	<u>August 1</u>	<u>Balance</u>
2007	4.125%	\$ 12,083	\$ 2,124	\$ 1,959	\$ 8,000	\$ 95,000
2008	4.125	12,733	1,959	1,774	9,000	86,000
2009	4.125	12,362	1,774	1,588	9,000	77,000
2010	4.125	12,970	1,588	1,382	10,000	67,000
2011	4.125	12,558	1,382	1,176	10,000	57,000
2012	4.125	12,145	1,176	969	10,000	47,000
2013	4.125	12,712	969	743	11,000	36,000
2014	4.125	13,238	743	495	12,000	24,000
2015	4.125	12,743	495	248	12,000	12,000
2016	4.125	12,248	248	-	12,000	-
		<u>\$ 125,792</u>	<u>\$ 12,458</u>	<u>\$ 10,334</u>	<u>\$ 103,000</u>	

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

August 1, 2006

To the City Commission
Hartford, Michigan

In connection with our audit of the books and records of the City of Hartford for the year ended June 30, 2006, we offer the following comments and recommendations regarding bookkeeping and accounting matters.

LEGAL COMPLIANCE

1. Expenditures exceeded amounts appropriated in the Major Street Fund. (See Note 3 to Financial Statements.)

GENERAL

1. To insure stronger internal controls, journal entries should be approved by the City Manager.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the City of Hartford and trust that these comments and suggestions will be received in the spirit of cooperation in which they are intended.

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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